



Thrift Savings Plan HIGHLIGHTS

Open Season: November 15 – January 31

The TSP PIN — Key to Your Account.

Access to your TSP account is easy if you have a 4-digit TSP Personal Identification Number (PIN). Participants are assigned a PIN when their accounts are established.



If you have lost or forgotten your TSP PIN, you can request to have a new one mailed to you. Simply visit the Account Access section of the TSP Web site (www.tsp.gov) or call the ThriftLine (504-255-8777) and select Account Activity from the main menu. When prompted, indicate that you do not know your PIN. You will receive one in the mail in about 10 days. You can use that PIN or you can change it (on the Web site or ThriftLine) to a 4-digit PIN of your choice.

With your PIN, you can get your most recent account balance, change your contribution allocation, make an interfund transfer, learn the amount available to you for a loan, get your outstanding loan balance, or check on the status of your loan application or withdrawal request.



Members of the uniformed services,

including members of the Ready Reserve, will be eligible to sign up for the TSP beginning October 9, 2001; contributions will begin in January 2002. If you are in the Ready Reserve and elect to contribute to the

TSP from reserve pay, your uniformed services payroll office will establish a second TSP account for you. More information is available on the TSP Web site, www.tsp.gov.

Progress Report on the New Record Keeping System

On July 17, 2001, the Federal Retirement Thrift Investment Board terminated its contract with American Management Systems, Inc. (AMS) for default. AMS had been under contract with the Board since 1997 to develop and implement a new record keeping system for the Thrift Savings Plan, which the Board administers. AMS consistently failed to adhere to the numerous schedules it established for delivery of the new system. Initially, the contract was to be completed in May 2000 and was to cost approximately \$30 million. At the time the contract was terminated, AMS was unable to determine a contract completion date, and it projected that the cost would be nearly \$90 million.

At the time of contract termination, the Board also filed suit against AMS in U.S. District Court for the District of Columbia. The suit seeks \$50 million in actual damages and \$300 million in punitive damages for AMS's breach of contract and fraud. (The complaint is posted on the Board's Web site, www.frtib.gov.)

The Board has entered into a new contract with Materials, Communication & Computers, Inc. (MATCOM) to complete the project. MATCOM is leading a team comprising the Centech Group, Computer Sciences Corporation, Keane Federal Systems, and SunGard Employee Benefit Systems. SunGard is the developer of the "OmniPlus" software that is being customized for the new system. Under the terms of the Board's contract with MATCOM, the OmniPlus adaptation will be completed for a cost not to exceed \$22 million. The specific schedule for new system implementation, planned for the second half of 2002, will be announced in mid-2002.

In the meantime, the current system can continue to serve the TSP indefinitely. Participants should be assured that no transitions to the OmniPlus-based system will be made until the Board is completely satisfied that the new system is as reliable as the current one. 

New Transfer Option Available

If you have a retirement savings account from a previous employer and you would like to consolidate your retirement investments, you may be able to transfer or roll over that money into your TSP account. The TSP can accept these "eligible rollover distributions" only from qualified retirement plans or from conduit Individual Retirement Accounts (IRAs) that were set up to accept eligible rollover distributions.

Only TSP participants who have an open account can transfer money into the TSP. This includes participants who are separated from Federal service. However, a separated participant who is receiving monthly payments from his or her

(continued on page 2)

Participants Ask . . .



. . . about contributions

Q How can I change the amount of my TSP contributions or the way they are invested?

A Requests to change the amount of your TSP contributions must be made through your agency because your agency must deduct your contributions from your pay each pay period. On the other hand, requests to change the way your TSP account is invested must be made to the TSP record keeper.

You can **increase or decrease the amount of pay you contribute** to the TSP during any TSP open season by making a “contribution election.” Generally, participants submit the paper Election Form (Form TSP-1) to **their personnel office**. (You can obtain Form TSP-1 from the TSP Web site or your agency personnel office.) However, some agencies do not accept paper and require their employees to use an automated system such as Employee Express or PostalEASE. Check with your personnel office for guidance. You **cannot** change the amount of your contributions on the TSP Web site or the ThriftLine.

You can **change the way your future contributions will be invested** among the five TSP funds at any time by requesting a “contribution allocation.” To do so, you can use the Account Access section of the TSP Web site or the account activity portion of the ThriftLine. You will need your Social Security number and your TSP PIN. Or you can make your contribution allocation on Form TSP-50, Investment Allocation, and submit it to the TSP Service Office. Your transaction will generally take effect within two business days.

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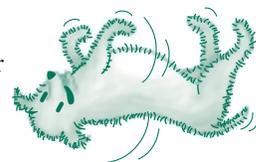
Participants Ask *(continued from previous column)*

You can also **redistribute money already in your account** among the five TSP investment funds by requesting an “interfund transfer.” If your request is received by the 15th of the month (or the next business day, if the 15th is not a business day), your transaction will take effect on the last day of that month. (If you make an interfund transfer after the deadline for the month, your transaction will take effect on the last day of the following month.) To complete an interfund transfer, use the Account Access section of the TSP Web site or the account activity section of the ThriftLine, or submit your request to the TSP Service Office on Form TSP-50, Investment Allocation. 

New Transfer Option *(continued from page 1)*

TSP account cannot transfer money into it. Transfers and rollovers will not be subject to the IRS annual elective deferral limit (\$10,500 in 2001; \$11,000 in 2002).

If you have already received the money from your former plan, you have 60 days from the date you receive the funds to roll them into the TSP. The rollover must be in guaranteed funds (for example, a certified check or money order). In this case, however, taxes (and any early withdrawal penalty, if applicable) will have been withheld by your former plan when it sent you the money. Therefore, if you want to roll over the entire amount of your distribution, you will have to make up the difference from your own funds.



Once the money is received by the TSP, it will be invested according to your most recent contribution allocation. As part of your account, it will be subject to the same rules and regulations (for example, spouses' rights) as the rest of your account, and it will be available for a loan or a financial hardship in-service withdrawal. As with the rest of your account, these funds will be subject to income tax when the money is eventually paid to you.

For more information about transfers, read the *Summary of the Thrift Savings Plan for Federal Employees (5/2001)*. To request a transfer, obtain Form TSP-60, Request for a Transfer Into the TSP, from the TSP Web site, your agency, or the TSP Service Office. 

New Loan Information on the Web

If you are thinking about taking a loan from your TSP account, you might want to visit the Calculator section of the TSP Web site. The new **Loan Calculator** can help you determine the amount of your loan payments and the length of time it would take you to repay the loan. The calculator automatically uses the current loan interest rate.

If you already have a loan, you can refer to the new **Outstanding Loan Balance and Prepayment Information** page in the Account Access section of the TSP Web site to determine your outstanding balance and the amount required to repay your loan in full. You will need your Social Security number and your TSP Personal Identification Number (PIN) to enter the Account Access section.

Taking a loan from your TSP account will affect the amount of money available to you for retirement. Before you apply for a loan, be sure to read the TSP *Loan Program* booklet, so that you understand the rules for borrowing and the effect of a loan on your account. The booklet and the loan application form are available on the TSP Web site and from your agency personnel office. 

Thrift Savings Plan Investment Information

The Federal Retirement Thrift Investment Board manages the G Fund investments. The Board has contracts with Barclays Global Investors to manage the F, C, S, and I Fund investments. The S and I Funds are now available to TSP participants.

The G Fund is invested in short-term nonmarketable U.S. Treasury securities that are specially issued to the TSP. The G Fund interest rate equals the average of market rates of return on U.S. Treasury marketable securities outstanding with four or more years to maturity. There is no credit risk (risk of nonpayment of principal or interest) for the Treasury securities in the G Fund. In addition, market risk (the risk that investments may fluctuate in value as interest rates change) is eliminated by the Board's current policy of investing the G Fund in short-term rather than longer-term securities. However, G Fund rates of return may well be lower than those of the other TSP funds over the long term.

Table 1 presents the 1991 – 2000 G Fund total rates of return, after deducting TSP administrative expenses; there is no assurance that future rates of return for the G Fund will replicate any of these rates. TSP administrative expenses reduced the 2000 G Fund return by 0.05%, or \$.50 for every \$1,000 of G Fund account balance.

Year	G Fund
1991	8.1%
1992	7.2%
1993	6.1%
1994	7.2%
1995	7.0%
1996	6.8%
1997	6.8%
1998	5.7%
1999	6.0%
2000	6.4%
1991 – 2000 compound annual rate of return	6.7%

The F Fund is invested in the Barclays U.S. Debt Index Fund, a commingled fund that tracks the Lehman Brothers U.S. Aggregate (LBA) bond index. This index consists primarily of high-quality fixed-income securities representing the U.S. Government, Federal agencies, mortgage-backed, corporate, and foreign government sectors of the U.S. bond market. The F Fund offers the opportunity for increased rates of return relative to the G Fund over the long term, especially in periods of generally declining market interest rates. At such times, the values of the longer-term bonds held in the F Fund should increase, unlike those of the short-term securities held in the G Fund. Unlike the G Fund, the F Fund carries credit risk and market risk. Like the C, S, and I Funds, the F Fund has the potential for negative returns, which could result in a loss.

Table 2 shows the 1991 – 2000 total rates of return for the F Fund (after deducting expenses) and the LBA bond index; there is no assurance that future F Fund rates of return will replicate any of these rates. TSP administrative expenses and F Fund investment management fees reduced the 2000 F Fund return by 0.07%, or \$.70 for every \$1,000 of F Fund account balance.

Year	F Fund	LBA Bond Index
1991	15.7%	16.0%
1992	7.2%	7.4%
1993	9.5%	9.8%
1994	-3.0%	-2.9%
1995	18.3%	18.5%
1996	3.7%	3.6%
1997	9.6%	9.7%
1998	8.7%	8.7%
1999	-0.8%	-0.8%
2000	11.7%	11.6%
1991 – 2000 compound annual rate of return	7.9%	8.0%

The C Fund is invested in the Barclays Equity Index Fund, a commingled fund that tracks the Standard & Poor's (S&P) 500 stock index. The C Fund gives participants the opportunity to diversify their investments and to earn the relatively high investment return that stocks can provide over the long term, while lessening the effect that the poor performance of an individual stock or industry will have on overall investment performance. The primary source of earnings is the net changes in the prices of stocks, although dividend income is also an important source of earnings. The risk of investing in the C Fund is that the value of stocks can decline sharply. The total C Fund return could be negative, resulting in a loss.

Table 3 shows the 1991 – 2000 total C Fund rates of return (after deducting expenses) and the S&P 500 stock index returns; there is no assurance that future rates of return for the C Fund will replicate any of these rates. TSP administrative expenses and C Fund investment management fees reduced the 2000 C Fund return by 0.06%, or \$.60 for every \$1,000 of C Fund account balance.

Year	C Fund	S&P 500 Index
1991	30.8%	30.5%
1992	7.7%	7.6%
1993	10.1%	10.1%
1994	1.3%	1.3%
1995	37.4%	37.6%
1996	22.8%	23.0%
1997	33.2%	33.4%
1998	28.4%	28.6%
1999	21.0%	21.0%
2000	-9.1%	-9.1%
1991 – 2000 compound annual rate of return	17.4%	17.5%

(continued on page 4)

TSP Investment Information (continued from page 3)

The S Fund (Small Capitalization Stock Index Investment Fund) is invested in the Barclays Extended Market Index Fund, which tracks the Wilshire 4500 stock index. The Wilshire 4500 index represents approximately 21% of the market value of the U.S. stock markets. It consists of the stocks that are actively traded in the U.S. stock markets, except those in the S&P 500 index. The primary source of earnings is the net changes in the prices of stocks, although dividend income is also an important source of earnings. Although the S Fund is diversified among industries and companies, losses will occur if and as the value of the Wilshire 4500 index declines in response to changes in overall economic conditions. The Wilshire 4500 index returns tend to fluctuate more than S&P 500 index returns because the prices of the stocks of the smaller companies in the Wilshire 4500 index tend to react more strongly (positively and negatively) to changes in the economy. Therefore, S Fund investments are expected to be more volatile than C Fund investments. The total S Fund return could be negative, resulting in a loss.

The I Fund (International Stock Index Investment Fund) is invested in the Barclays EAFE Index Fund, a commingled fund that tracks the EAFE (Europe, Australasia, Far East)

stock index. The EAFE index, comprising 21 countries, consists of the stocks of companies that are large relative to the size of the stock markets of their countries and industries. They represent approximately 42% of the value of the world stock markets. (The U.S. stock market represents approximately 51% of the world stock markets.) The primary source of earnings is the net changes in the prices of stocks, although, at times, net foreign currency changes relative to the U.S. dollar can be a greater component of earnings than stock price gains or losses. Dividend income is also an important source of earnings. The EAFE index is broadly diversified among countries and industries, so that the effect of poor performance in one stock market or group of companies is reduced.

Losses will occur if and as the value of the EAFE index declines in response to changes in overall economic conditions or to increases in the value of the U.S. dollar relative to the currencies in which the EAFE stocks are denominated. EAFE index returns tend to fluctuate more than S&P 500 index or Wilshire 4500 index returns; therefore, I Fund investments are expected to be more volatile than C or S Fund investments. The total I Fund return could be negative, resulting in a loss.

Table 4 shows the 1991 – 2000 total rates of return for the Wilshire 4500 index and the EAFE index.

Year	Wilshire 4500 Index	EAFE Index
1991	43.5%	12.2%
1992	11.9%	-12.2%
1993	14.6%	32.7%
1994	-2.7%	7.8%
1995	33.5%	11.3%
1996	17.2%	6.1%
1997	25.7%	1.5%
1998	8.6%	20.1%
1999	35.5%	26.7%
2000	-15.8%	-14.2%
1991 – 2000 compound annual rate of return 15.9% 8.2%		

Recent Performance of the G, F, C, S, and I Funds

Table 5 presents the monthly rates of return of the five TSP funds (after expenses), which were used in crediting earnings to your account. For more information about the funds, see the *Summary of the Thrift Savings Plan for Federal Employees (5/2001)*.

Table 5

Month	G Fund	F Fund	C Fund	S Fund*	I Fund*
2000					
October	0.5%	0.7%	-0.4%	-7.2%	-2.4%
November	0.5%	1.6%	-7.9%	-15.2%	-3.8%
December	0.5%	1.9%	0.5%	7.6%	3.5%
2001					
January	0.5%	1.7%	3.5%	4.7%	-0.1%
February	0.4%	0.9%	-9.1%	-10.5%	-7.5%
March	0.5%	0.5%	-6.3%	-8.4%	-6.6%
April	0.4%	-0.4%	7.8%	10.5%	7.0%
May	0.5%	0.6%	0.7%	1.4%	-4.1%
June	0.5%	0.4%	-2.4%	0.7%	-4.0%
July	0.5%	2.2%	-1.0%	-4.1%	-1.8%
August	0.5%	1.2%	-6.3%	-4.3%	-2.6%
September	0.4%	1.1%	-8.0%	-12.5%	-9.9%
12 months	5.7%	13.1%	-26.6%	-34.3%	-28.8%

*The first S and I Fund investments occurred on May 1, 2001. Rates of return before May 2001 are based on the Barclays funds in which the S and I Funds are invested.

★ TSP Fund Balances ★

as of 9/30/2001

G Fund	\$39.2 billion
F Fund	\$ 8.0 billion
C Fund	\$45.3 billion
S Fund	\$.6 billion
I Fund	\$.2 billion
Total	\$93.3 billion
Participants	2.6 million

